

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

**DIB5018-INTRODUCTION TO INTERNATIONAL
BUSINESS**

(All sections / Groups)

16 OCTOBER 2017
09.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **ELEVEN (11)** pages with 4 sections.
2. Answer for Section **A** and **B** should be shaded on the OMR sheet provided.
3. For Section **C** and **D**, please write your answer in the answer booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS. (TOTAL 40 MARKS). Answer ALL questions. Answers should be shaded on the OMR sheet.

1. Globalization refers to _____.
 - A. a more integrated and interdependent world
 - B. less foreign trade and investment
 - C. global warming
 - D. lower incomes worldwide
2. Which of the following constitutes Foreign Direct Investment?
 - A. A speculator trying to make a profit by buying company shares on a foreign stock exchange.
 - B. A UK energy company buying land abroad where it expects to find oil reserves.
 - C. A tourist purchasing foreign currency to spend on a holiday abroad.
 - D. A company signing an agreement with a wholesaler to distribute its products in foreign markets.
3. Which of the following is a driver of globalization?
 - A. Trade barriers and controls on inflows of foreign direct investment.
 - B. Weak competition.
 - C. Technological advance.
 - D. Economies of scale are being exploited to the maximum.
4. Pizza Hut, Domino's, and Wendy's are examples of which of the following entry modes?
 - A. Turnkey project.
 - B. International franchising.
 - C. International licensing.
 - D. International leasing.
5. Which of the following is **NOT** a business opportunity generated by globalization?
 - A. Access to low cost labour.
 - B. Cheap international transport.
 - C. Currency crises.
 - D. Less stringent regulation of the business environment.

Continued...

6. Malaysia is part of _____.
- A. MERCOSUR
 - B. ASEAN
 - C. NAFTA
 - D. European Union
7. Which of the following **BEST** characterises the development of international business?
- A. It has existed in some form for centuries.
 - B. It first started in Europe.
 - C. It developed after the year 2000.
 - D. Its development has slowed in recent years.
8. Which of the following **BEST** explains why the Japanese firm Canon relocated much of its production to China?
- A. Low-cost financial capital
 - B. Low-cost labor
 - C. Access to raw materials
 - D. Lack of skilled managerial talent in home country
9. _____ are the **MOST** transformative technology in developing economies.
- A. Mobile phones
 - B. Televisions
 - C. Intranets
 - D. E-mails
10. Technological advances have contributed to manufacturing by _____.
- A. promoting traditional lifestyles and values
 - B. reducing cross-border flow of factors of production
 - C. promoting nationalization
 - D. reducing production costs
11. Which of the following **BEST** describes a firm that allows a partner the right to use certain intellectual property for a specified period of time in exchange for royalties or other compensation?
- A. Franchisor.
 - B. Licensor.
 - C. Manufacturer.
 - D. Trading company.

Continued...

12. Which of the following is **NOT** the reason of political risk?
- A. Change in external relations.
 - B. Natural disasters.
 - C. Civil war.
 - D. Change in the government.
13. Topsy Turvey Toys is a U.S.-based toy retailer that buys all its merchandise from Ureshi Toys, a Japan-based toy manufacturer with production facilities in twelve nations. Ureshi Toys markets its toys globally without modification. Topsy Turvey Toys buying its merchandise from Ureshi Toys is an example of _____.
- A. importing
 - B. exporting
 - C. outsourcing
 - D. insourcing
14. Which Asian regions are together known as “the Four Asian tigers”?
- A. South Korea, Singapore, Taiwan and the Philippines.
 - B. Taiwan, Hong Kong, China and Japan.
 - C. South Korea, Singapore, Taiwan and Hong Kong.
 - D. Singapore, Taiwan, China, and South Korea.
15. Which of the following is typical in developing economies?
- A. Low levels of bureaucracy and red tape.
 - B. Low debt levels.
 - C. Lack of cultural history.
 - D. Poor education systems.
16. Which of the following countries has weak intellectual property protection?
- A. China.
 - B. the United States.
 - C. Australia.
 - D. France.
17. Which of the following countries is home to the Hyundai Group?
- A. India
 - B. South Korea
 - C. Malaysia.
 - D. Taiwan

Continued...

18. Rainbow Manufacturing is planning to expand operations overseas. Executives at the firm are considering a number of different countries. Which of the following countries would **MOST** likely have the lowest start-up costs?
- A. India
 - B. China
 - C. Japan
 - D. New Zealand
19. Companies doing international business are **MORE** likely to be successful when they _____.
- A. conduct frequent performance appraisals
 - B. understand local market characteristics
 - C. employ primarily local managers
 - D. rely on experienced expatriates
20. In the twenty-first century, growth rates in _____ have outpaced those in _____.
- A. the United States and China; India and Japan
 - B. Canada and Japan; Germany and the United States
 - C. Japan and India; China and Canada
 - D. China and India; Germany and Japan
21. Which country has the highest per capita income in North America?
- A. The United States.
 - B. Central America.
 - C. Canada.
 - D. Mexico.
22. When a firm makes a sale of goods denominated in Chinese yuan, the yuan is referring to _____.
- A. flight capital
 - B. export capital
 - C. the invoicing currency
 - D. the transaction currency

Continued...

23. The Republic of China is **MOST** commonly known as _____.
- A. Taiwan
 - B. Vietnam
 - C. Hong Kong
 - D. Singapore
24. What region is sometimes called the cradle of civilisation?
- A. The European Union.
 - B. The Middle East.
 - C. The Far East.
 - D. Africa.
25. Executives at Sweetie Enterprises, a U.S. textile company, are discussing the idea of expanding into the Asian market by opening a facility in Hong Kong. Which of the following is a characteristic of Hong Kong?
- A. Complete autonomy from China.
 - B. Entry point to mainland China.
 - C. Location of few major banks.
 - D. Low labor rates for a poorly educated workforce.
26. ASEAN refers to the _____.
- A. Association of South East Agro Nations
 - B. Association of South East Asian Nations
 - C. Alliance of South East Asian Neighbors
 - D. Alliance of South Eastern African Nations
27. The most common form of religious law is _____ law.
- A. Hindu
 - B. Jewish
 - C. Islamic
 - D. Catholic
28. The _____ of a country specifies the rules that regulate behaviour, the processes by which laws are enforced, and the procedures used to resolve grievances.
- A. political system
 - B. political philosophy
 - C. philosophical orientation
 - D. legal system

Continued...

29. Bill, a financial manager, is preparing to transfer to Indonesia where he will serve as an expatriate manager of his employer's Asian office. With which type of legal system will Bill **MOST** likely have to deal with in Indonesia?
- A. Mixed.
 - B. Common.
 - C. Civil.
 - D. Theocratic.
30. Expropriation is the forced transfer of assets from a _____ to the government with compensation.
- A. private sector
 - B. public sector
 - C. country
 - D. states
31. The _____ provides that a country will honor and enforce within its own territory the judgments and decisions of foreign courts with certain limitations.
- A. Helms-Burton Act
 - B. principle of comity
 - C. arbitration agreement
 - D. principle of fairness
32. When a company seeks to have a dispute heard in the court system most favourable to its own interests, the company is _____.
- A. forum shopping
 - B. adopting the principle of comity
 - C. rejecting the principle of comity
 - D. engaging in arbitration
33. Saudi Arabia's nationalisation of the oil industry in the 1970s is an example of _____.
- A. macro political risk
 - B. micro political risk
 - C. transfer risk
 - D. ownership risk

34. CSC Steel operates an aluminum refining plant in Nigeria. The contract between CSC and Jamaica requires the corporation to train Nigerian engineers in the latest processes. Nigeria has **MOST** likely required CSC to agree to a(n) _____.
- A. intellectual property contract
 - B. electronic copyright system
 - C. technology transfer
 - D. direct investment
35. Joyce Electronics is a U.S. firm with operations in Saudi Arabia. Joyce Electronics has learned that it may face expropriation. What would be the **MOST** likely result of such actions?
- A. Higher operating costs.
 - B. Loss of future profits.
 - C. Higher security costs.
 - D. Loss of assets.
36. The measure of the value of production that occurs within a country's borders without regard to whether the production is done by domestic or foreign factors of production is its _____.
- A. net national product (NNP)
 - B. gross national product (GNP)
 - C. gross domestic product (GDP)
 - D. gross national income (GNI)
37. In a practical sense, the term political system is meant to signify the _____.
- A. organization of military power in a country
 - B. working government in a country
 - C. philosophical orientations in a country
 - D. cultural values in a country
38. Which of the following is the characteristic of an effective legal system?
- A. A stable and rigid framework of rules and norms across nations.
 - B. Systematically enforced laws and regulations.
 - C. Political involvement in business transactions.
 - D. Universal emphasis on religious law over common and civil law.

39. Which of the following would **MOST** likely help a country change its technological environment?
- A. More government regulations.
 - B. Greater government spending.
 - C. Minimum wage increase.
 - D. Foreign direct investment.
40. Intellectual property is defined as _____.
- A. property in technology
 - B. rights over products of the human intellect such as patents and copyrights
 - C. rights over technology transfer
 - D. patent rights

[TOTAL 40 MARKS]

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SECTION B: TRUE/FALSE (TOTAL 10 MARKS). Answer ALL questions. Answers should be shaded on the OMR sheet. Mark A for TRUE statement and B for FALSE statement.

41. Language is a verbal communication.
42. Japan and China are examples of low-context cultures.
43. Acculturation is defined as the process of adjusting and adapting to a culture other than one's own.
44. In collectivist societies, compromise and conformity help to maintain group harmony.
45. Managers can achieve effective cross-cultural interaction by rushing into conclusions about other's behaviours.
46. According to the absolute advantage principle, national prosperity is the result of a positive balance of trade, achieved by maximizing exports and minimizing imports.
47. According to Porter, competitive advantage, resulting from firm strategy, structure, and rivalry refer to the presence of clusters of suppliers, competitors, and complementary firms that excel in particular industries.
48. In recent years, business executives and scholars have used competitive advantage to refer to the advantages possessed by nations and individual firms in international trade and investment.
49. Mercantilism tends to harm firms that import.
50. In the International Product Life Cycle (IPLC) Theory, Raymond Vernon observed that each product and its manufacturing technologies go through three stages of evolution: introduction, maturity, and standardization.

[TOTAL 10 MARKS]

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SECTION C: CASE STUDY

Answer ALL questions. Answers should be written on the answer booklet provided.

Geely's Volvo Gamble

By Eduardo Morcillo

Will Volvo's recent takeover by Geely (Mandarin for lucky) prove to be lucky for both companies? The Hangzhou-based company paid Ford \$1.8 billion (\$1.6 billion for a 100% equity stake and \$200 million for a credit note), and raised \$900 million to keep Volvo running, which took the total tab to \$2.7 billion. To finance this deal, Geely secured \$2.1 billion of loans from Bank of China, China Construction Bank, Export-Import Bank of China, Geely Automobile Holdings (the group's listed arm), and the government of Gothenburg, where Volvo is headquartered. In return, Geely has promised to return Volvo, which made a \$934 million loss last year, to profits in two years' time. Is that possible?

Geely's turnaround plan for Volvo consists of three lines of action:

1. Geely won't interfere in Volvo's day-to-day management, will continue manufacturing Volvo cars in Europe, and plans to retain the existing management team. That's a textbook case of partnering.
2. Geely will integrate Volvo's patented technologies into its vehicles for which it will pay the latter.
3. Geely will take Volvo to China by setting up a 300,000 units per annum plant there.

If there are question marks around production, technology, marketing, and management synergies, what's driving the takeover? Well, Geely had access to cash, founder Li Shufu was willing to invest it in Volvo, and he's betting on the fact that entering China will return Volvo to profitability. After all, China is the world's largest automobile market, with 13.6 million units sold in 2009 and some 16 million likely to sell in 2010. The country's premium segment, where Volvo will compete, is growing at over 100% a year. Geely plans to boost Volvo's sales in China to between 200,000 and 300,000 units per year — ambitious since Volvo sold only 30,000 cars in China in 2009. While entering China will help Volvo, I don't see the company turning around by 2012, as promised. Mergers and Acquisitions (M&A) in the automobile business have rarely worked. In the past, Li has beaten the odds on his own turf, but he's now fishing in a global pond where the rules are different. Sure, Geely has landed a big catch, but absorbing it isn't going to be easy.

Adapted from: Harvard Business Review, 15th April 2010

- a. State **THREE (3)** advantages and **THREE (3)** disadvantages of acquisition strategy. (6 marks)
- b. Based on the article above, identify **TWO (2)** Geely's competitive advantage over Volvo? (2 marks)
- c. What is the current status of Volvo in Geely? (2 marks)

[TOTAL 10 MARKS]

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SECTION D: STRUCTURED QUESTIONS

Answer ALL questions. Answers should be written on the answer booklet provided.

QUESTION 1

- a. Explain the role of offshore financial centers in international business and provide at least **THREE (3)** destinations where these offshore financial centers are located. (4 marks)
- b. Explain the terms stated below with proper examples.
 - i. Two-Point Arbitrage
 - ii. Three-Point Arbitrage (6 marks)

QUESTION 2

- a. What is distinctive competence? List all the **FOUR (4)** distinctive competence of a firm. (5 marks)
- b. One technique for assessing a firm's strengths and weaknesses is the value chain. What is the difference between primary and secondary activities in the value chain? (4 marks)
- c. Briefly describe the **FOUR (4)** strategic alternatives that international business adopt. (8 marks)

QUESTION 3

- a. What are export management companies, and how do they help potential exporters? (3 marks)
- b. Many firms prefer to enter international markets through ownership and control of assets in host countries. What are the **THREE (3)** forms of foreign direct investment opportunities available for these firms? (3 marks)
- c. Explain franchising as an entry strategy into foreign markets. Describe **THREE (3)** advantages and **THREE (3)** disadvantages of franchising. (7 marks)

[TOTAL 40 MARKS]

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